

Department of Health Services
Behavioral Health

A.R.S. § 36-103

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	120.9	120.9	122.0
Personal Services	3,580,600	4,025,400	4,136,300
Employee Related Expenditures	1,041,500	1,221,000	1,397,300
Professional and Outside Services	1,099,100	1,114,500	1,114,900
Travel - In State	68,200	111,400	111,800
Travel - Out of State	1,100	16,500	16,500
Other Operating Expenditures	3,138,600	1,953,400	2,098,700
Equipment	114,200	0	0
OPERATING SUBTOTAL	9,043,300	8,442,200	8,875,500
SPECIAL LINE ITEMS			
Administration			
Medicare Clawback Payments	0	0	0
Mental Health Institute	360,800	0	0
Medicaid Special Exemption Payments	8,811,500	13,979,800	15,850,300
Proposition 204 Administration	4,515,300	6,126,500	6,230,500
Children's Behavioral Health			
Children's Behavioral Health Services	9,285,100	9,351,800	9,351,800 ^{1/}
CBH State Match for Title XIX	151,389,700	236,288,000	265,932,200 ^{2/4/}
Proposition 204 Children's Behavioral Health Services	2,866,500	2,775,400	3,146,900 ^{2/4/}
Seriously Emotionally Handicapped Children	0	500,000	500,000
Tobacco Settlement CBH Services	4,273,100	0	0
Seriously Mentally Ill			
Seriously Mentally Ill Non-Title XIX	58,153,000	61,116,700	61,116,700
Seriously Mentally Ill State Match for Title XIX	141,107,600	141,821,000	161,122,000 ^{2/4/}
Proposition 204 Seriously Mentally Ill Services	126,566,600	140,023,700	158,811,500 ^{2/4/}
Tobacco Settlement SMI Services	502,900	0	0
Court Monitoring	177,500	197,500	197,500
Arnold v. Sarn	39,279,300	37,838,700	37,696,400 ^{2/3/}
General Mental Health/Substance Abuse			
Mental Health Non-Title XIX	2,445,700	2,447,300	2,447,300
Substance Abuse Non-Title XIX	14,612,100	14,635,400	14,635,400
Mental Health and Substance Abuse State Match for Title XIX	58,358,300	72,022,100	80,839,300 ^{2/4/}
Prop. 204 General Mental Health & Substance Abuse	54,296,400	66,650,400	75,592,500 ^{2/4/}
PROGRAM TOTAL	686,044,700	814,216,500^{5/}	902,345,800^{6/}
FUND SOURCES			
General Fund	200,710,300	260,333,300	339,614,900
<u>Other Appropriated Funds</u>			
CBH Tobacco Settlement Fund	4,273,100	0	0
Indirect Cost Fund			0
Medical Services Stabilization Fund	360,800	0	0
SMI Services Fund	502,900	0	0
Substance Abuse Services Fund	2,500,000	2,500,000	2,500,000
TTHCF Medically Needy Account	28,297,600	29,424,800	30,424,800
SUBTOTAL - Other Appropriated Funds	35,934,400	31,924,800	32,924,800
SUBTOTAL - Appropriated Funds	236,644,700	292,258,100	372,539,700
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	403,376,900	475,148,900	529,806,100
Tobacco Litigation Settlement Fund	46,023,100	46,809,500	0
SUBTOTAL - Expenditure Authority Funds	449,400,000	521,958,400	529,806,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	686,044,700	814,216,500	902,345,800
Other Non-Appropriated Funds	56,686,000	58,003,800	65,116,600
Federal Funds	37,867,700	41,468,400	41,462,200
TOTAL - ALL SOURCES	780,598,400	913,688,700	1,008,924,600

COST CENTER DESCRIPTION — The Behavioral Health program administers most mental health services for the state including both adult and children's behavioral health services, substance abuse treatment and seriously emotionally handicapped children. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• % of RBHA Title XIX clients satisfied with services	88	88	90
• % of Title XIX population that is enrolled in a behavioral health service	9	11.2	11.5

Comments: The % of RBHA Title XIX clients satisfied with services is based on a survey that is conducted every 2 years. The next survey will be available in November 2005.

Title XIX Caseload and Inflation

The budget provides an increase of \$91,932,400 for expected growth in the Title XIX Behavioral Health Programs. This amount consists of \$34,707,100 from the General Fund and \$57,225,300 from Federal Title XIX expenditure authority (EA).

Behavioral Health Services (BHS) Title XIX enrollment growth is consistent with enrollment growth in the AHCCCS program, which is based on the JLBC Staff forecast and an econometric model developed by the Economic and Business Research Program at the University of Arizona. This latter model uses economic variables such as population growth and various employment measures in estimating AHCCCS caseload growth. The approved increase is based on both an expected monthly capitation rate growth of 8% and a weighted average caseload growth of 2.4% from June 2005 to June 2006. DHS monthly capitation rate growth was 12.8% in FY 2005 and 11.7% in FY 2004.

Like an insurance program, the state's behavioral health system is based on a capitation system, where an assigned rate is paid per person whether that individual will receive services or not. State monies provide approximately a 33% match to the Federal Funds (EA) received. The increase includes changes in behavioral health services and Medicaid Special Exemption Payments but does not address any changes in administrative costs.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides supplemental FY 2005 funding for various Title XIX line items. The legislation includes \$12,296,900 from the General Fund and \$20,094,900 from Federal XIX expenditure authority for the Children's Behavioral Health – State Match for Title XIX line item. The legislation also includes \$9,249,100 from the General Fund and \$26,350,800 from Federal Title XIX expenditure authority, which the department has the discretion to allocate between the Proposition 204 line items, the Seriously Mentally Ill State Match for Title XIX line item, and the General Mental Health and Substance Abuse State Match for Title XIX line item.

Table 1 displays the expected allocations for the funding for FY 2005 and FY 2006.

Maricopa RBHA Administrative/Profit Reduction

The approved budget reduced the administrative/profit percentage that the Maricopa Regional Behavioral Health Authority (RBHA) may retain from 10% to 9%. By reducing this percentage, the state was able to generate \$1,428,000 in General Fund savings for FY 2006. Contracts between DHS and the various Regional Behavioral Health Authorities (RBHAs) specify that a portion of the Title XIX capitation rates paid by DHS to the RBHAs may be used for administrative costs and profit. This administrative portion equals 7.5% of the capitation rate, with an additional 2.5% for profit, risk, and contingency. The administrative/profit percentage is the same for all RBHAs, although the capitation rates to which the percentage is applied vary by RBHA. The Maricopa

- ^{1/} The amount appropriated for Children's Behavioral Health Services shall be used to provide services for non-Title XIX eligible children. The amount shall not be used to pay for either federally or nonfederally reimbursed services for Title XIX eligible children, unless a transfer of monies is reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{2/} On a monthly basis, the department shall provide information to the Joint Legislative Budget Committee by program for all populations on the number of new and Non-Title XIX clients reviewed for Title XIX eligibility under Proposition 204 as well as the number that convert from Non-Title XIX status or that are newly enrolled. (General Appropriation Act footnote)
- ^{3/} It is the intent of the Legislature that the total amount available in the *Arnold v. Sarn* Special Line Item be used for the population covered by the *Arnold v. Sarn* lawsuit in counties with a population of over 2 million or more persons and for seriously mentally ill persons that meet the same criteria as those covered by the *Arnold v. Sarn* lawsuit in counties with populations of less than 2 million persons. (General Appropriation Act footnote)
- ^{4/} It is the intent of the Legislature that the percent attributable to administration/profit for the regional behavioral health authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)
- ^{5/} Laws 2005, Chapter 3 appropriated \$21,546,000 from the General Fund and \$46,445,700 in Federal Title XIX expenditure authority for Title XIX behavioral health costs.
- ^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

Table 1**General Fund Title XIX Behavioral Health Funding**

	<u>FY 2005 Original Appropriation</u>	<u>FY 2005 Supplemental</u>	<u>FY 2005 Revised Appropriation</u>	<u>FY 2006 Increase</u>	<u>FY 2006 Appropriation</u>
CBH	64,727,100	12,296,900	77,024,000	10,474,400	87,498,400
CBH Proposition 204	394,700	111,900	506,600	528,800	1,035,400
SMI	42,577,900	3,652,200	46,230,100	6,783,100	53,013,200
SMI Proposition 204	5,562,100	3,471,800	9,033,900	43,219,000	52,252,900
GMH/SA	22,678,900	798,500	23,477,400	3,120,800	26,598,200
GMH/SA Proposition 204	8,717,200	850,400	9,567,600	15,304,300	24,871,900
Medicaid Special Exemption Payments	<u>4,192,700</u>	<u>364,300</u>	<u>4,557,000</u>	<u>658,200</u>	<u>5,215,200</u>
Total	\$148,850,600	\$21,546,000	\$170,396,600	\$80,088,600	\$250,485,200

CBH: Children's Behavioral Health

SMI: Seriously Mentally Ill

GMH/SA: General Mental Health/Substance Abuse

RBHA has the largest behavioral health contract with the state. Due to economies of scale, the Maricopa RBHA requires a lower administrative percentage allocation than smaller RBHAs, therefore enabling the state to realize savings. This reduction does not affect services delivered to clients in Maricopa County.

Tobacco Settlement Fund Shift to General Fund

The approved budget contained a fund shift from the non-appropriated Tobacco Litigation Settlement Fund to the General Fund. This shift eliminated the department's Tobacco Litigation Settlement Fund support while increasing the agency's General Fund appropriation by \$46,809,500. There was no net change in the agency's funding as a result of the shift.

Because Tobacco Litigation Settlement monies are not available until April 15th of the fiscal year, the department has had difficulty in identifying state match monies to draw down Title XIX dollars. Replacing Tobacco Litigation Settlement monies with General Fund monies solves this cash flow problem. In total, DHS will have its General Fund appropriation increased by \$46,809,500 and its Tobacco Litigation Settlement allocation decreased by \$(46,809,500).

Operating Budget

The budget provides \$8,875,500 for the operating budget in FY 2006. This amount consists of \$4,274,800 from the General Fund and \$4,600,700 from Federal Title XIX Expenditure Authority. The approved amount includes an increase \$219,200 in FY 2006 for statewide adjustments. This amount includes \$105,600 for the General Fund and \$113,600 from the Federal Title XIX expenditure authority.

Shift PASARR Funding from Assurance and Licensure

The approved amount includes an increase of \$214,100 and 1.1 FTE Positions in FY 2006 to shift funding for the Preadmission Screening and Annual Resident Review (PASARR) from the Assurance and Licensure Special Line Item (SLI) to the Behavioral Health operating budget. These amounts consist of \$53,500 and 0.3 FTE Positions from the General Fund and \$160,600 and 0.8 FTE Positions from Federal Title XIX Expenditure Authority.

The PASARR program conducts Level II psychiatric evaluations of Title XIX-certified nursing facility patients who have been identified through a Level I screening as potentially having a mental illness. In FY 2005, funding for PASARR and Title XIX Licensure was shifted from the AHCCCS budget to the Assurance and Licensure SLI. The PASARR functions, however, are conducted through the Behavioral Health program and, therefore, the approved amount shifts funding to the operating budget. There is a corresponding decrease in the Assurance and Licensure SLI for no net impact to the agency's budget.

Special Line Items**Administration*****Medicare Clawback Payments***

The budget provides for the creation of a new Special Line Item titled Medicare Clawback Payments that will be used to make payments to Medicare, as required by the Medicare Modernization Act (MMA). As part of the MMA, DHS will no longer be required to pay for prescriptions drug costs for members that are also eligible for Medicare. DHS will be required, however, to reimburse the federal government (a "clawback" payment) based on the estimated prescription drug cost of this population. The state will be required to reimburse the federal government for approximately 90% of the savings.

This line item includes no funding until a final estimate of the payment is available. Any savings realized in FY 2006 will be transferred to this line item, and used to make the necessary payments to Medicare.

Mental Health Institute

The budget provides no funding for the Mental Health Institute for FY 2006. This amount is unchanged from FY 2005. Laws 2001, Chapter 273, as amended by Laws 2003, Chapter 1, 1st Special Session, provided \$2,000,000 from the Medical Services Stabilization Fund in FY 2002 for a one-time appropriation for the development of the Mental Health Institute. The FY 2004 expenditures from this line item reflect nonlapsing monies from this appropriation.

Medicaid Special Exemption Payments

The budget provides \$15,850,300 for Medicaid Special Exemption Payments in FY 2006. This amount consists of \$5,215,200 from the General Fund and \$10,635,100 from Federal Title XIX expenditure authority.

The approved amount includes an increase of \$1,870,500 in FY 2006 for increased Medicaid Special Exemption Payments related to Title XIX caseload and capitation rate growth. This amount consists of \$658,200 from the General Fund and \$1,212,300 from Federal Title XIX expenditure authority.

This Special Line Item provides the funding necessary for insurance premium tax payments by DHS. The department is required to pay a 2% tax on the capitation payments it pays to RBHAs. Therefore, any increases in capitation payments associated with caseload growth and inflation necessitate an increase in premium tax payments. The amount excludes premium tax payments for the behavioral health capitation revenue from developmentally disabled clients, which is funded in the Department of Economic Security's budget.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$1,117,800 in supplemental FY 2005 funding for Medicaid Special Exemption Payments. This amount includes \$364,300 from the General Fund and \$753,500 from Federal Title XIX expenditure authority. This supplemental funding is continued in FY 2006. *(Please see Table 1 above for more information.)*

Proposition 204 Administration

The budget provides \$6,230,500 for Proposition 204 Administration in FY 2006. This amount consists of \$2,031,000 from the General Fund and \$4,199,500 from Federal Title XIX expenditure authority. The approved amount includes an increase of \$104,000 for statewide adjustments. This amount includes \$33,900 from the General Fund and \$70,100 from Federal Title XIX expenditure authority.

The implementation of Proposition 204, passed by the voters in November of 2000, expanded categories of eligibility for Title XIX services, including behavioral health services, up to 100% of the federal poverty level. State monies provide approximately a 33% match to the federal expenditure authority received. This line item provides funding for the administrative component of this expansion.

Children's Behavioral Health (CBH)

Children's Behavioral Health Services

The budget provides \$9,351,800 from the General Fund for CBH Services in FY 2006. This amount is unchanged from FY 2005. This line item provides General Fund monies for prevention programs and for treatment of non-Title XIX eligible children.

Children's Behavioral Health State Match for Title XIX

The budget provides \$265,932,200 for CBH State Match for Title XIX in FY 2006. This amount consists of \$87,498,400 from the General Fund and \$178,433,800 from Federal Title XIX expenditure authority.

Caseload Growth

The approved amount includes an increase of \$31,192,500 in FY 2006 for Title XIX Children's Behavioral Health caseload and capitation rate growth. This amount consists of \$10,983,800 from the General Fund and \$20,208,700 from Federal Title XIX expenditure authority. The approved amount assumes 8% growth in the monthly capitation rate (from \$45.79 to \$49.45), and 2.5% growth in client population from June 2005 to June 2006.

Maricopa RBHA Administrative/Profit Reduction

The approved amount includes a reduction of \$(1,548,300) in FY 2006 in order to reduce the Maricopa County Regional Behavioral Health Authority's administrative percentage allocation from 10% to 9%. This amount includes \$(509,400) from the General Fund and \$(1,038,900) from Federal Title XIX expenditure authority. *(Please see the discussion on this reduction at the beginning of this section for more information.)*

This line item funds behavioral health treatment to Title XIX eligible children. The approved amount provides capitation payments for an average of approximately 471,137 eligible children per month. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 6.9% of the eligible population will utilize services.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$32,391,800 in supplemental FY 2005 funding for Children's Behavioral Health State Match for Title XIX. This amount consists of \$12,296,900 from the General Fund and \$20,094,900 from

the federal Title XIX expenditure authority for increased costs of providing children's behavioral health services to the Title XIX population. *(Please see Table 1 for more details.)*

Proposition 204 Children's Behavioral Health Services

The budget provides \$3,146,900 for Proposition 204 CBH Services in FY 2006. This amount consists of \$1,035,400 from the General Fund and \$2,111,500 from Federal Title XIX expenditure authority.

Caseload Growth

The approved amount includes an increase of \$389,700 in FY 2006 for Proposition 204 Children's Behavioral Health caseload and capitation rate growth. This amount consists of \$136,700 from the General Fund and \$253,000 from Federal Title XIX expenditure authority. The approved amount assumes 8% growth in the monthly capitation rate (from \$45.79 to \$49.45), and 2.4% growth in client population from June 2005 to June 2006.

Tobacco Settlement Fund Shift to General Fund

The approved amount includes an increase of \$398,100 from the General Fund in FY 2006 and a corresponding \$(398,100) decrease in non-appropriated Tobacco Litigation Settlement monies in order to address a cash flow problem related to the late receipt of Tobacco Litigation Settlement monies. *(Please see the Proposition 204 Seriously Mentally Ill Services description for more information.)*

Maricopa RBHA Administrative/Profit Reduction

The approved amount includes a reduction of \$(18,200) in FY 2006 in order to reduce the Maricopa County Regional Behavioral Health Authority's administrative percentage allocation from 10% to 9%. This amount includes \$(6,000) from the General Fund and \$(12,200) from Federal Title XIX expenditure authority. *(Please see the discussion on this reduction at the beginning of this section for more information.)*

This line item provides behavioral health treatment to children eligible for Title XIX pursuant to Proposition 204. Because most children were already eligible for Title XIX prior to the implementation of Proposition 204, this population is very small. The approved amount would provide capitation payments for an average of approximately 5,633 eligible children per month in FY 2006. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 6.9% of the eligible population will utilize services.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$343,300 in supplemental FY 2005 funding for Proposition 204 Children's Behavioral Health Services. This amount consists of \$111,900 from the General Fund and \$231,400 from the federal Title XIX expenditure authority for increased costs

of providing children's behavioral health services to the Title XIX population pursuant to Proposition 204. *(Please see Table 1 for more details.)*

Seriously Emotionally Handicapped Children

The budget provides \$500,000 from the General Fund for Seriously Emotionally Handicapped Children in FY 2006. This amount is unchanged from FY 2005. This line item provides General Fund monies for a portion of the cost of residential treatment and educational services for children referred by school districts. Referrals are based on an inability to educate the children in a conventional school environment due to a serious emotional handicap. Funding is also provided for this program through the state Department of Education and local school districts.

Tobacco Settlement Children's Behavioral Health Services

The budget provides no new Tobacco Settlement funding for Children's Behavioral Health in FY 2006. This amount is unchanged from FY 2005. This line item originally included \$20,000,000 in one-time non-lapsing funding appropriated in FY 2001 from the Tobacco Settlement for Children's Behavioral Health Services. There is no ongoing funding for this line item and this amount is not specified in the General Appropriation Act.

The FY 2004 expenditures from this line item reflect nonlapsing monies from this appropriation. All of the monies have been spent and there will be no further expenditures from this line item.

Seriously Mentally Ill (SMI)

SMI is a population of adult patients with more long-term or ongoing mental illness than those funded through the General Mental Health Special Line Items.

Seriously Mentally Ill Non-Title XIX

The budget provides \$61,116,700 for SMI Non-Title XIX services in FY 2006. This amount consists of \$30,691,900 from the General Fund and \$30,424,800 from the Medically Needy Account of the Tobacco Tax and Health Care Fund. The approved amount includes a decrease of \$(1,000,000) from the General Fund and a corresponding \$1,000,000 increase from the Medically Needy Account of the Tobacco Tax and Health Care Fund in order to account for increased tobacco tax collections. This line item provides funding for treatment for SMI clients that are not eligible for Title XIX coverage.

Seriously Mentally Ill State Match for Title XIX

The budget provides \$161,122,000 for SMI State Match for Title XIX in FY 2006. This amount consists of \$53,013,200 from the General Fund and \$108,108,800 from Federal Title XIX expenditure authority.

Caseload Growth

The approved amount includes an increase of \$20,239,000 in FY 2006 for Title XIX Seriously Mentally Ill caseload and capitation rate growth. This amount consists of \$7,091,700 from the General Fund and \$13,147,300 from Federal Title XIX expenditure authority. The approved amount assumes 8% growth in the monthly capitation rate (from \$63.11 to \$68.16), and 2.4% growth in client population from June 2005 to June 2006.

Maricopa RBHA Administrative/Profit Reduction

The approved amount includes a reduction of \$(938,000) in FY 2006 in order to reduce the Maricopa County Regional Behavioral Health Authority's administrative percentage allocation from 10% to 9%. This amount includes \$(308,600) from the General Fund and \$(629,400) from Federal Title XIX expenditure authority. *(Please see the discussion on this reduction at the beginning of this section for more information.)*

This line item provides behavioral health treatment to Title XIX eligible SMI adults. The approved amount would provide capitation payments for an average of approximately 228,175 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.2% of the eligible population will utilize services.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$11,200,000 in supplemental FY 2005 funding for Seriously Mentally Ill State Match for Title XIX. This amount consists of \$3,652,200 from the General Fund and \$7,547,800 from the federal Title XIX expenditure authority for increased costs of providing behavioral health services to the Seriously Mentally Ill Title XIX population. *(Please see Table 1 for more details.)*

Proposition 204 Seriously Mentally Ill Services

The budget provides \$158,811,500 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2006. This amount consists of \$52,252,900 from the General Fund and \$106,558,600 from Federal Title XIX expenditure authority.

Caseload Growth

The approved amount includes an increase of \$19,712,300 in FY 2006 for Proposition 204 SMI caseload and capitation rate growth. This amount consists of \$8,510,200 from the General Fund and \$11,202,100 from Federal Title XIX expenditure authority. The approved amount assumes 8% growth in the monthly capitation rate (from \$63.11 to \$68.16), and 2.4% growth in client population from June 2005 to June 2006.

Tobacco Settlement Fund Shift to General Fund

The approved amount includes an increase of \$35,013,000 from the General Fund in FY 2006 and a corresponding

\$(35,013,000) decrease in non-appropriated Tobacco Litigation Settlement monies in order to address a cash flow problem related to the late receipt of Tobacco Litigation Settlement monies.

Because Tobacco Litigation Settlement monies are not available until April 15th of the fiscal year, the department has had difficulty in identifying state match monies to draw down Title XIX dollars. Replacing Tobacco Litigation Settlement monies with General Fund monies solves this cash flow problem. In total, DHS will have its General Fund appropriation increased by \$46,809,500 and its Tobacco Litigation Settlement allocation decreased by \$(46,809,500). *(Please see the Proposition 204 Children's Behavioral Health Services and the Proposition 204 General Mental Health and Substance Abuse descriptions for more information.)*

AHCCCS will have its General Fund appropriation reduced and its Tobacco Settlement monies increased by a like amount in order to make this shift revenue neutral. AHCCCS, because of its larger overall budget, is better equipped to deal with this cash flow issue than is DHS.

Maricopa RBHA Administrative/Profit Reduction

The approved amount includes a reduction of \$(924,500) in FY 2006 in order to reduce the Maricopa County Regional Behavioral Health Authority's administrative percentage allocation from 10% to 9%. This amount includes \$(304,200) from the General Fund and \$(620,300) from Federal Title XIX expenditure authority. *(Please see the discussion on this reduction at the beginning of this section for more information.)*

This line item provides behavioral health treatment to SMI adults who are Title XIX eligible pursuant to Proposition 204. The approved amount would provide capitation payments for an average of approximately 206,273 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.2% of the eligible population will utilize services.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$15,549,000 in supplemental FY 2005 funding for Proposition 204 Seriously Mentally Ill Services. This amount consists of \$3,471,800 from the General Fund and \$12,077,200 from the federal Title XIX expenditure authority for increased costs of providing behavioral health services to the Proposition 204 Seriously Mentally Ill population. *(Please see Table 1 for more details.)*

Tobacco Settlement SMI Services

The budget provides no new Tobacco Settlement funding for SMI Services in FY 2006. This amount is unchanged from FY 2005. This line item originally included \$50,000,000 from the Seriously Mentally Ill Services Fund, which received a one-time appropriation from

Tobacco Settlement monies in FY 2001 to provide community housing, vocational rehabilitation, and other recovery support services for the seriously mentally ill.

There is no ongoing funding for this line item and this amount is not specified in the General Appropriation Act, but the monies were planned to be expended over 3 years. Funding was allocated to each RBHA based upon population. Through FY 2004, DHS spent \$53,322,200 (these expenditures include the spending of interest earned on the account). DHS expects to spend the remaining monies, totaling \$1,085,700, in FY 2005 and therefore there are no expenditures anticipated for FY 2006. These FY 2005 expenditures do not appear in the table because they are unexpended monies from a prior year appropriation.

Court Monitoring

The budget provides \$197,500 from the General Fund for Court Monitoring in FY 2006. This amount is unchanged from FY 2005. This line item provides funds for the state share of the expenses incurred by the Office of the Court Monitor, which was established as a result of the *Arnold v. Sarn* lawsuit.

Arnold v. Sarn

The budget provides \$37,696,400 for *Arnold v. Sarn* in FY 2006. This amount consists of \$27,500,000 from the General Fund and \$10,196,400 from Federal Title XIX expenditure authority. The approved amount includes a decrease of \$(142,300) in Federal Title XIX expenditure authority to account for the expected standard change in the FMAP from Federal Fiscal Year (FFY) 2005 to FFY 2006.

This line item provides additional funding in order to address the requirements of the *Arnold v. Sarn* lawsuit. It is the intent of the Legislature that this funding be used throughout the state for all persons who meet the same criteria as those covered in the *Arnold v. Sarn* lawsuit. Funding in this line item does not represent all of the resources dedicated to addressing the *Arnold v. Sarn* lawsuit.

General Mental Health and Substance Abuse

General Mental Health and Substance Abuse (GMH/SA) funding assists adults who do not qualify as SMI.

Mental Health Non-Title XIX

The budget provides \$2,447,300 from the General Fund for Mental Health Non-Title XIX services in FY 2006. This amount is unchanged from FY 2005. This line item provides funding for mental health treatment services for adults who require treatment but are not diagnosed SMI and are not eligible for the Title XIX program, as well as general mental health services for children and for substance abuse services and prevention.

Substance Abuse Non-Title XIX

The budget provides \$14,635,400 for Substance Abuse Non-Title XIX services in FY 2006. This amount consists of \$12,135,400 from the General Fund and \$2,500,000 from the Substance Abuse Services Fund. These amounts are unchanged from FY 2005.

This line item provides funding for drug and alcohol abuse services for adults who are not eligible for the Title XIX program.

Mental Health and Substance Abuse State

Match for Title XIX

The budget provides \$80,839,300 for General Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2006. This amount consists of \$26,598,200 from the General Fund and \$54,241,100 from Federal Title XIX expenditure authority.

Caseload Growth

The approved amount includes an increase of \$9,287,700 in FY 2006 for Title XIX GMH/SA caseload and capitation rate growth. This amount consists of \$3,275,600 from the General Fund and \$6,012,100 from Federal Title XIX expenditure authority. The approved amount assumes 8% growth in the monthly capitation rate (from \$30.04 to \$32.44), and 2.4% growth in client population from June 2005 to June 2006.

Maricopa RBHA Administrative/Profit Reduction

The approved amount includes a reduction of \$(470,500) in FY 2006 in order to reduce the Maricopa County Regional Behavioral Health Authority's administrative percentage allocation from 10% to 9%. This amount includes \$(154,800) from the General Fund and \$(315,700) from Federal Title XIX expenditure authority. (*Please see the discussion on this reduction at the beginning of this section for more information.*)

This line item provides mental health and substance abuse treatment to Title XIX eligible individuals. The approved amount would provide capitation payments for an average of approximately 220,587 eligible adults per month. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 10.8% of the eligible population will utilize services.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$2,449,400 in supplemental FY 2005 funding for General Mental Health and Substance Abuse. This amount consists of \$798,500 from the General Fund and \$1,650,900 from the federal Title XIX expenditure authority for increased costs of providing behavioral health services to the Title XIX eligible General Mental Health and Substance Abuse population. (*Please see Table 1 for more details.*)

Proposition 204 General Mental Health and Substance Abuse

The budget provides \$75,592,500 for Proposition 204 GMH/SA in FY 2006. This amount consists of \$24,871,900 from the General Fund and \$50,720,600 from Federal Title XIX expenditure authority.

Caseload Growth

The approved amount includes an increase of \$9,383,000 in FY 2006 for Proposition 204 GMH/SA caseload and capitation rate growth. This amount consists of \$4,050,900 from the General Fund and \$5,332,100 from Federal Title XIX expenditure authority. The approved amount assumes 8% growth in the monthly capitation rate (from \$30.04 to \$32.44), and 2.4% growth in client population from June 2005 to June 2006.

Tobacco Settlement Fund Shift to General Fund

The approved amount includes an increase of \$11,398,400 from the General Fund in FY 2006 and a corresponding \$(11,398,400) decrease in non-appropriated Tobacco Litigation Settlement monies in order to address a cash flow problem related to the late receipt of Tobacco Litigation Settlement monies. *(Please see Proposition 204 Seriously Mentally Ill Services description for more information.)*

Maricopa RBHA Administrative/Profit Reduction

The approved amount includes a reduction of \$(440,900) in FY 2006 in order to reduce the Maricopa County Regional Behavioral Health Authority's administrative percentage allocation from 10% to 9%. This amount includes \$(145,000) from the General Fund and \$(295,900) from Federal Title XIX expenditure authority. *(Please see the discussion on this reduction at the beginning of this section for more information.)*

This line item provides mental health and substance abuse treatment to individuals who are eligible for Title XIX pursuant to Proposition 204. The approved amount would provide capitation payments for an average of approximately 206,273 eligible adults per month. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 10.8% of the eligible population will utilize services.

FY 2005 Supplemental

Laws 2005, Chapter 3 provides \$4,940,400 in supplemental FY 2005 funding for Proposition 204 General Mental Health and Substance Abuse. This amount consists of \$850,400 from the General Fund and \$4,090,000 from the federal Title XIX expenditure authority for increased costs of providing behavioral health services to the Proposition 204 General Mental Health and Substance Abuse population. *(Please see Table 1 for more details).*